

Message Text

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E.O. 11652: N/A

TAGS: ENRG, IEA

SUBJECT: US COMMENTS ON GB CHAIRMAN'S NOTE

OECD: PASS TO BOSWORTH FOR APPROVAL BEFORE TRANSMITTING
TO IEA.

1. APRIL 25-26 GOVERNING BOARD DISCUSSED ROHWEDDER NOTE
(IEA/GB(77)19) ELABORATING GENERAL LINES OF POLICY ACTION
IN ENERGY SUGGESTED BY SLT. DELEGATIONS WERE INVITED TO
COMMENT ON OR SUGGEST REDRAFTS OF PROPOSED GENERAL POLICY
BY MAY 13. FOLLOWING US COMMENTS ARE KEYED TO PARAS IN
DOCUMENT.

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2. PARA 1-3 - NO CHANGES.

3. PARA 4 - TO EMPHASIZE IMPORTANCE OF REVIEWS OF NATIONAL
ENERGY PROGRAMS AND RECOMMENDATIONS WHICH EMERGE FROM THIS
PROCESS, SUGGEST FIRST SENTENCE BE MODIFIED TO INDICATE
THAT PARTICIPATING COUNTRIES SHOULD STATE THAT THEY ARE

PREPARED TO GIVE "SERIOUS CONSIDERATION FOR INCLUSION IN THEIR NATIONAL ENERGY PROGRAMS THE INDIVIDUAL RECOMMENDATIONS..."

4. PARA 5 - SUGGEST ADD FOLLOWING SENTENCES AT END OF

PARA: THE GENERAL LINES OF POLICY ACTION SHOULD BE VIEWED AS A SET OF PRINCIPLES OR FRAMEWORK FOR ENERGY POLICY WITHIN WHICH MEMBER COUNTRIES WOULD ESTABLISH NATIONAL POLICIES IN ORDER TO ACHIEVE THE OBJECTIVE OF REDUCING DEPENDENCE ON IMPORTED OIL. OBVIOUSLY, EACH COUNTRY WILL GIVE DIFFERENT EMPHASIS AND PRIORITY TO THE GENERAL POLICY LINES OUTLINED.

5. PARA 6(I) - TO ENCOURAGE QUANTIFICATION OF NATIONAL OIL IMPORT OBJECTIVE, SUGGEST ADD SENTENCE BEFORE INTRODUCTION OF IEA REVIEW CONCEPT AS FOLLOWS: MEMBER COUNTRIES SHOULD ATTEMPT TO QUANTIFY NATIONAL OIL IMPORT OBJECTIVES.

6. PARA 6(II) - LANGUAGE SHOULD BE CLARIFIED TO INCLUDE POSSIBLE FAILURE TO ATTAIN NATIONAL OBJECTIVES. SUGGESTED REDRAFT OF PARA 6(II) FOLLOWS: PROVIDING IN ENERGY POLICY PLANNING FOR ALTERNATIVE MEANS, OTHER THAN INCREASED OIL CONSUMPTION, FOR MEETING ANY SUPPLY SHORTFALL OR FAILURE TO ATTAIN CONSERVATION OBJECTIVES. THESE ENERGY POLICIES SHOULD INCLUDE INCREASED UTILIZATION OF ALTERNATIVE ENERGY SOURCES AND MEASURES TO RESTRAIN GROWTH IN ENERGY DEMAND.
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7. PARA 6(III) - REFERENCE TO WORLD ENERGY PRICES IS TROUBLESOME, IMPLYING CONTINUING RELIANCE ON OPEC PRICING DECISIONS. SUGGEST NEW PARA: ENERGY PRICES SHOULD GENERALLY REFLECT THE REPLACEMENT COST OF ENERGY TO AVOID WASTEFUL USE, ENCOURAGE ATTAINMENT OF CONSERVATION GOALS, AND PROVIDE ADEQUATE INCENTIVES FOR PRODUCERS. THIS WILL FACILITATE THE POLICY OBJECTIVES REFERRED TO IN (IV), (VII), AND (XI) BELOW.

8. PARAS 6(IV) AND (V) - THESE PARAGRAPHS SHOULD BE STRENGTHENED. A GENERAL EXHORTATION TO ADOPT A WIDE RANGE OF CONSERVATION MEASURES IS USEFUL, BUT NOT ENOUGH. A MORE EFFECTIVE APPROACH WOULD BE FOR EACH IEA COUNTRY TO TARGET CONSERVATION POLICIES OVER THE TRANSITION PERIOD AT RAPIDLY DEPLETING FUELS, PARTICULARLY GAS AND OIL. THIS WOULD ALSO PLACE INCREASED EMPHASIS ON THE OBJECTIVE OF LIMITING THE GROWTH IN FUTURE ENERGY DEMAND THROUGH MORE EFFECTIVE UTILIZATION RATHER THAN ON THE

MEANS FOR ACHIEVING SUCH GOALS, WHICH WILL BE DETERMINED BY EACH COUNTRY IN ACCORDANCE WITH ITS RESOURCE ENDOWMENT AND VARYING SOCIAL ECONOMIC AND ENVIRONMENTAL STRUCTURE.

9. PARA 6(VI) - THIS PARAGRAPH IS TOO LONG, AND SOMEWHAT UNREALISTIC. WE STRONGLY SUPPORT THE OBJECTIVE TO REDUCE THE USE OF OIL IN ELECTRICITY GENERATION, AND IN TRANSPORTATION, INDUSTRY, AND OTHER SECTORS (WHERE POSSIBLE) THROUGH MEANS SUCH AS THOSE OUTLINED IN THE CHAIRMAN'S NOTE. NONETHELESS, THERE WILL ALWAYS BE SOME HEAVY FUEL OIL FROM REFINERY CRACKING. SINCE SUCH FUEL OIL WILL HAVE ECONOMIC VALUE AND WILL BE USED, WE SHOULD ADOPT APPROPRIATE DEMAND MANAGEMENT POLICIES THAT RECOGNIZE: (A) THE DIMINISHING SUPPLY OF LOW SULPHUR, LIGHT OIL; (B) THE NEED TO REVIEW ENVIRONMENTAL AND REGULATORY POLICIES TO ENABLE US TO UTILIZE WHAT WE ARE COMING TO BY DEFAULT, I.E., HEAVIER HIGHER SULFUR CRUDES, LIMITED OFFICIAL USE

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AND (C) POSSIBLE ALTERNATIVE USES IN IEA OF EXCESS HEAVY PRODUCT REFINING CAPACITY IN EUROPE.

10. PARA 6(VII) - THERE SHOULD BE QUALIFICATIONS UPON THE INTENT TO MAXIMIZE OIL AND GAS PRODUCTION, INCLUDING CONSERVATION AND ENVIRONMENTAL OBJECTIVES. SUGGEST LINE 2 BE MODIFIED AS FOLLOWS: "GAS RESOURCES; TAKING PROPER ACCOUNT OF NATIONAL RESOURCE CONSERVATION POLICIES, AND REASONABLE ENVIRONMENTAL SAFEGUARDS, PARTICULARLY FOR FRONTIER REGIONS; DEVELOPMENT COULD BE ENCOURAGED BY..."

11. PARA 6(VIII) - TH- SPECIFIC REFERENCE TO NORTH AMERICA SHOULD BE DRO'PED. THE MAJOR LONG-TERM CONSTRAINT

ON COAL UTILIZATION IS DEMAND RELATED. ALL COUNTRIES SHOULD ADOPT A COAL UTILIZATION STRATEGY AIMED AT NEW BASE LOAD ELECTRICITY PLANTS, CONVERSION OF OT AND GAS FTRED ELECTRICAL PLANTS AND ENCOURAGING USE BY MAJOR INDUSTRIAL USERS.

COUNTRIES WITH INCREASED COAL UTILIZATION POTENTIAL WILL HAVE TO ADDRESS SERIOUSLY THE ENVIRONMENTAL ISSUES ARISING FROM INFRASTRUCTURE, PLANT SITING AND BURNING.

THE CONCEPT OF A SPECIFIC COAL UTILIZATION AND PRODUCTION OBJECTIVE FOR THE IEA IS SOMEWHAT PREMATURE. AS A RESULT OF ANALYSIS NOW UNDERWAY, WE COULD DETERMINE AN ACHIEVABLE LEVEL OF COAL PRODUCTION AND UTILIZATION BUT SUCH LEVELS SHOULD NOT BE ACCORDED EQUAL IMPORTANCE WITH REDUCED OIL IMPORT OBJECTIVES. IN DERIVING SUCH LEVELS OF PRODUCTION AND UTILIZATION, INDUSTRIAL USE MUST BE INCLUDED.

12. PARA 6(IX) - WE BELIEVE SETTING A GROUP OBJECTIVE FOR LNG OR PIPELINE IMPORTS FOR 1985 IS PREMATURE. THE IMPLICATION OF SETTING GAS IMPORT TARGETS IS THAT IEA GAS TRADE SHOULD BE EXPANDED, AND THIS IS A DESIRABLE LIMITED OFFICIAL USE

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OBJECTIVE. THE NATURE OF GAS PRICE AND SUPPLY VULNERABILITY, AND THE EFFECTS ON IMPORT DEPENDENCE ENVISIONED IN SUCH A POLICY INITIATIVE, HAVE NOT BEEN

ADEQUATELY ASSESSED FOR THE IEA AS A WHOLE. THE UNITED STATES, FOR EXAMPLE, PLANS TO FOLLOW A CASE-BY-CASE CONSIDERATION OF EACH PROJECT.

13. PARA 6(X) - WE SUGGEST THE FOLLOWING AS A REPLACEMENT FOR THE PARAGRAPH ON NUCLEAR ENERGY: STABILIZATION OF THE LONG-TERM SUPPLY, SUBJECT TO APPROPRIATE INTER-NATIONAL SAFEGUARDS, OF NUCLEAR POWER REACTORS AND THE NECESSARY FUEL. THIS WILL REQUIRE, ESPECIALLY IF THERE

IS A SLOWDOWN IN THE DEVELOPMENT OF NUCLEAR FUEL REPROCESSING, THAT SUPPLIERS OF ENRICHED URANIUM ENSURE THE AVAILABILITY OF ADEQUATE CAPACITY TO SERVE THE FUEL NEEDS OF OTHER IEA COUNTRIES THROUGH DIRECT CONTRACTS AND INVESTMENT OPPORTUNITIES, INCLUDING THE ESTABLISHMENT OF RELIABLE PROCEDURES FOR THE EXPORT OF THIS MATERIAL. EQUALLY IMPORTANT IS THE NEED TO ENSURE THAT ADEQUATE FACILITIES ARE AVAILABLE FOR STORAGE OF NUCLEAR WASTE.

14. PARA 6(XI) - THE TARGETING OF "COUNTRIES WITH SUBSTANTIAL RESOURCE POSSIBILITIES" IS OBJECTIONABLE SINCE IT SINGLES OUT AN OBVIOUS GROUP AND SHOULD BE DELETED. THE LANGUAGE ON OPTIMUM EXPLOITATION INCLUDED IN THE FIRST TICK IS TOO VAGUE AND SHOULD BE MODIFIED TO "RATES OF EXPLORATION AND DEVELOPMENT WHICH ARE CONSISTENT WITH OPTIMAL ECONOMIC RECOVERY OF RESOURCES, AND MEET NATIONAL RESOURCE DEVELOPMENT POLICIES."

15. PARA 6(XII) - THIS SECTION CAN BE STRENGTHENED BY INCLUDING (A) THE NEED FOR R&D DESIGNED TO ACHIEVE RESULTS IN THE NEAR AND MID-TERM ESPECIALLY IN CONSERVATION, LIMITED OFFICIAL USE

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RADIOACTIVE WASTE MANAGEMENT, AND COAL UTILIZATION TO

MEET TRANSITION NEEDS, WITH MORE COORDINATED AND JOINT DEMONSTRATION/COMMERCIALIZATION EFFORTS AND (B) THE NEED TO COORDINATE R&D POLICIES WITH THE ONGOING ENERGY POLICY ANALYSIS AND RECOMMENDATIONS FROM THE SLT AND ITS SUB-GROUPS.

THE REFERENCE TO THE BREEDER IN ANNEX B SHOULD BE CHANGED TO "ALTERNATIVE FUEL CYCLES WHICH ARE ENVIRONMENTALLY AND POLITICALLY ACCEPTABLE TO MEMBER COUNTRIES."

16. PARA 6(XIII) AND 7 THROUGH 9 - NO CHANGES. CHRISTOPHER

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